

FISCAL NOTE

Bill #: SB0031

Title: Revise schedule of BASE aid payments

Primary

Sponsor: Stang, Barry "Spook"

Status: Introduced

Sponsor signature	Date	Dave Lewis, Budget Director	Date
-------------------	------	-----------------------------	------

Fiscal Summary

	<u>FY2000 Difference</u>	<u>FY2001 Difference</u>
Expenditures:		
General Fund	\$0	\$0
Revenue:		
General Fund	(\$22,964)	(\$91,686)
Net Impact on General Fund Balance:	(\$22,964)	(\$91,686)

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
	x	Significant Local Gov. Impact		x	Technical Concerns
	x	Included in the Executive Budget		x	Significant Long-Term Impacts

Fiscal Analysis

ASSUMPTIONS:

1. Under current law, direct State aid will be \$271.768 million in FY2000 and \$267.342 in FY2001. Special education payments will be \$32.473 million per year in FY2000 and FY2001.
2. The final distribution of BASE aid on July 15, 2000 will be \$30.424 million. The final distribution of BASE aid on July 15, 2001 will be \$29.982 million.
3. The final distribution of BASE aid will occur on or around June 25. The state will lose 20 days of interest earnings as a result of the proposal.
4. The Revenue Oversight Committee has adopted projections for earnings on the state's Treasury Cash Account of 5.51% for FY2000 and 5.55% for FY2001.

5. While the loss of interest earnings would be split across fiscal years (5 days in the current fiscal year and 15 days in the next). The first year reduction in interest earnings is only 5 days. The second year and years that follow will have a total of 20 days of interest loss to the general fund.
6. School districts may gain interest earnings. These monies may be available to reduce district property taxes and state GTB costs in the year following the receipt of the earnings.

FISCAL IMPACT:

	<u>FY2000 Difference</u>	<u>FY2001 Difference</u>
FTE		
<u>Expenditures:</u>		
TOTAL	\$0	\$0
<u>Funding:</u>		
TOTAL	\$0	\$0
<u>Revenues:</u>		
General Fund (01)	(\$22,964)	(91,686)
<u>Net Impact to Fund Balance (Revenue minus Expenditure):</u>		
General Fund (01)	(\$22,964)	(\$91,686)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

School districts may receive additional interest earnings if they invest the state payment within 3 days of receipt, as required by law. If the earlier state payment results in earlier payment of the district general fund obligations, then little or no additional interest will accrue to the district general fund. If the district does not make payments to creditors sooner than they currently do, then additional interest earnings will be deposited in the district general fund. These earnings, if generated, will be available to cover revenue shortfalls in the current year and/or reduce property tax levies and GTB costs in the following year. To the extent that these earnings are available as "fund balance reappropriated," local mill rates will be lower. When general fund mill rates are reduced, property taxes and state GTB costs are also reduced.

LONG-RANGE IMPACTS:

The long-term annual cost to the state depends on the amount of the direct state aid and special education payment to districts and the annual interest rate. The on-going annual cost under current law will be equivalent to the cost shown for FY2001.

Fiscal Note Request, Bill No., version

Page 3

(continued)

Fiscal Note Prepared by: Madalyn Quinlan

Agency: Office of Public Instruction

Phone Number: 444-3168